

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 EB-07 XMB-02 NSC-05 NSCE-00

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FM AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EFIN, EEWT, PL

SUBJECT: RCA/CORNING COLOR TY PROJECT: FINANCING

REF: STATE 045769

1. I BELIEVE POLISH OFFICIALS WILL BE UNHAPPY WITH THE FINANCING TERMS OFFERED BY EXIMBANK ON THE RCA/CORNING PROJECT. THESE TERMS WILL NOT COME NEAR MATCHING THE JAPANESE COMPETITION. THIS UNCOMPETITIVENESS IN FINANCING WILL BE COMPOUNDED BY THE FACT THAT THE RCA/CORNING PRICE IS SIGNIFICANTLY HIGHER THAN THAT OF THE JAPANESE.

2. THE JAPANESE CONTINUE TO PURSUE THIS CONTRACT ACTIVELY. VICE MINISTER OF FOREIGN TRADE DLUGOSZ IS NOW IN JAPAN, REPORTEDLY NEGOTIATING AN INCREASE IN THE OVERALL POLISH LINE OF EXPORT CREDIT FROM THE JAPANESE EXPORT-IMPORT BANK. THE TECHNICAL SIDE OF THE POLISH GOVERNMENT WOULD PREFER TO DO THIS DEAL WITH RCA/CORNING RATHER THAN THE JAPANESE, BUT THERE IS A LIMIT TO HOW SUCCESSFUL THEY CAN BE IN PURSUING THIS GOAL IN THE FACE OF THE BETTER PRICE AND FINANCING OFFERED BY THE JAPANESE.

3. THE CHANCES FOR A FAVORABLE POLISH REACTION TO EXIMBANK'S TERMS WOULD BE MUCH GREATER IF THE INTEREST

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RATE COULD BE BROUGHT EVEN SLIGHTLY BELOW THE 9 PERCENT

LEVEL, BUT ONLY IF THIS REDUCTION WERE ACHIEVED BY HAVING THE PRIVATE BANKS SHARE IN THE LATER MATURITIES. ANY REDUCTION IN THE TERM OF THE LOAN WOULD MORE THAN OFFSET THE FAVORABLE IMPACT OF AN INTEREST-RATE REDUCTION. IT IS NOT CLEAR FROM THE DEPARTMENT'S TELEGRAM WHETHER THE "ELEVEN-YEAR-PLUS TOTAL TERM" BEGINS AFTER THE CONSTRUCTION PERIOD, BUT IT APPEARS THAT IT DOES NOT. THIS WILL BE ANOTHER REASON FOR POLISH DISAPPOINTMENT, SINCE THEY HAVE ASKED FOR PAYMENT OVER A 10-YEAR TERM BEGINNING AFTER A THREE-AND-ONE-HALF-YEAR GRACE PERIOD. IN THE PAST, EXIMBANK HAS BEEN ABLE TO COMPENSATE FOR ITS HIGHER INTEREST RATES BY OFFERING LONGER TERMS. A LENGTHENING OF EXIMBANK'S TERM BY A YEAR OR TWO WOULD BE EVEN MORE ATTRACTIVE TO THE POLES THAN A LOWERING OF THE INTEREST RATE BY ANYTHING LESS THAN A FULL PERCENTAGE POINT.

4. IF EXIMBANK'S TERMS ARE NOT CHANGED FROM THOSE MENTIONED IN THE REFTEL, WE MAY BE ABLE TO LIMIT THE ADVERSE POLISH REACTION IF I AM AUTHORIZED TO INFORM DEPUTY PREMIER WRZASZCZYK DIRECTLY OF THE EXIMBANK DECISION. THE FINANCING TERMS DO NOT SEEM TO BE AS IMPORTANT TO WRZASZCZYK AS THEY ARE TO OTHER MEMBERS OF THE POLISH GOVERNMENT, AND I THINK HE CAN BE RELIED UPON TO PRESENT THEM TO THE REST OF THE GOVERNMENT IN THE MOST FAVORABLE LIGHT. THIS IS ESPECIALLY SO SINCE I BELIEVE HE REALLY WOULD PREFER TO DO BUSINESS WITH RCA AND CORNING. CONVEYING THE EXIMBANK TERMS THROUGH THE POLISH EMBASSY IN WASHINGTON OR THE BANK HANDLOWY LIASION OFFICER IN NEW YORK WOULD INSURE THAT THOSE WHO PLACE MORE EMPHASIS ON FINANCING WOULD HAVE THE FIRST CRACK AT REACTING TO THE TERMS.

DAVIES

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